



**COUNTY OF LOS ANGELES  
DEPARTMENT OF AUDITOR-CONTROLLER**

KENNETH HAHN HALL OF ADMINISTRATION  
500 WEST TEMPLE STREET, ROOM 525  
LOS ANGELES, CALIFORNIA 90012-3873  
PHONE: (213) 974-8301 FAX: (213) 626-5427

WENDY L. WATANABE  
AUDITOR-CONTROLLER

ASST. AUDITOR-CONTROLLERS

ROBERT A. DAVIS  
JOHN NAIMO  
JAMES L. SCHNEIDERMAN

December 26, 2012

TO: Supervisor Mark Ridley-Thomas, Chairman  
Supervisor Gloria Molina  
Supervisor Zev Yaroslavsky  
Supervisor Don Knabe  
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe *Wendy L. Watanabe*  
Auditor-Controller *sy D*

SUBJECT: **PROJECT: PEACEMAKERS, INC. – A DEPARTMENT OF PUBLIC  
SOCIAL SERVICES DOMESTIC VIOLENCE SUPPORTIVE SERVICES  
PROGRAM PROVIDER – CONTRACT COMPLIANCE REVIEW FISCAL  
YEARS 2010-11 AND 2011-12**

We completed a review of Project: Peacemakers, Inc. (Project Peacemakers or Agency). The Department of Public Social Services (DPSS) contracts with Project Peacemakers, a non-profit organization, to provide Domestic Violence Supportive Services (DVSS) Program services to eligible participants who have been victims of domestic violence. DVSS Program services include performing assessments, facilitating shelter assistance, and providing legal assistance to the victims. Our review covered a sample of transactions from Fiscal Years (FYs) 2010-11 and 2011-12.

The purpose of our review was to determine whether Project Peacemakers appropriately accounted for and spent DVSS Program funds to provide the services outlined in their County contract. We also evaluated the Agency's accounting records, internal controls, and compliance with their contract and other applicable guidelines.

DPSS paid the Agency approximately \$320,000 on a cost-reimbursement basis during FY 2011-12. Project Peacemakers provides services to residents of the Second Supervisorial District.

### **Results of Review**

Project Peacemakers provided services to individuals who met DVSS Program eligibility requirements, and the services provided were in compliance with the County contract. However, the Agency did not always comply with all of the County contract requirements. For example, Project Peacemakers:

- Did not ensure that loans from the Executive Director, totaling \$8,590, and the loan payments were properly documented.

*Project Peacemakers' attached response indicates that they will ensure loans are properly documented.*

- Inappropriately allocated \$11,978 in non-payroll expenditures to the DVSS Program based on program revenue, which is an unallowable allocation method. The Agency also billed the DVSS Program \$1,509 in erroneous and unsupported non-payroll expenditures.

*Project Peacemakers' response indicates that they will review and reallocate all shared non-payroll expenditures charged to the DVSS Program during the contract term, and repay any overbilled or unsupported amounts.*

- Did not disclose to DPSS that they lease their building from a related party.

*Project Peacemakers' response indicates that they will disclose all related- party transactions to DPSS.*

- Inappropriately allocated 100% of an employee's salary to the DVSS Program even though the employee worked on County and non-County programs.

*Project Peacemakers' response indicates that they reallocated the employee's salary to the DVSS Program. However, the Agency also needs to provide DPSS with supporting documentation, and repay any overbilled amounts.*

In addition, as noted earlier, Project Peacemakers had received loans from its Executive Director totaling \$8,590. The Agency indicated that the loans were necessary to pay operating expenses, which indicates that the Agency has cash flow and financial issues. DPSS should monitor the Agency to ensure continuity of the DVSS Program services.

Details of our review, along with recommendations for corrective action, are attached.

**Review of Report**

We discussed our report with Project Peacemakers and DPSS on November 1, 2012. Project Peacemakers' attached response indicates agreement with our findings and recommendations. DPSS will work with Project Peacemakers to ensure that our recommendations are implemented.

We thank Project Peacemakers' management for their cooperation and assistance during our review. Please call me if you have any questions, or your staff may contact Don Chadwick at (213) 253-0301.

WLW:JLS:DC:AA:JS

Attachment

c: William T Fujioka, Chief Executive Officer  
Sheryl L. Spiller, Director, Department of Public Social Services  
James Hundley, Board Chairman, Project Peacemakers  
Bernita Walker, Executive Director, Project Peacemakers  
Public Information Office  
Audit Committee

**PROJECT: PEACEMAKERS, INC.  
DOMESTIC VIOLENCE SUPPORTIVE SERVICES PROGRAM  
CONTRACT COMPLIANCE REVIEW  
FISCAL YEARS 2010-11 AND 2011-12**

**ELIGIBILITY**

**Objective**

Determine whether Project: Peacemakers, Inc. (Project Peacemakers or Agency) provided services to individuals who met the Domestic Violence Supportive Services (DVSS) Program eligibility requirements.

**Verification**

We reviewed the case files for 15 (10%) of the 146 participants who received services during September and October 2011 for documentation to confirm their eligibility for DVSS Program services.

**Results**

Project Peacemakers had documentation to support the 15 participants' eligibility for DVSS Program services.

**Recommendation**

None.

**PROGRAM SERVICES**

**Objective**

Determine whether Project Peacemakers provided the services required by their County contract and DVSS Program guidelines. In addition, determine whether the Program participants received the billed services.

**Verification**

We visited Project Peacemakers' service site, and reviewed the case files for 15 (10%) of the 146 participants who received services during September and October 2011.

**Results**

Project Peacemakers provided services in accordance with the County contract.

**Recommendation**

**None.**

**STAFFING QUALIFICATIONS**

**Objective**

Determine whether Project Peacemakers' staff had the qualifications required by the County contract.

**Verification**

We reviewed the personnel files for six (50%) of the 12 Project Peacemakers employees who worked on the DVSS Program.

**Results**

Project Peacemakers' staff had the required qualifications.

**Recommendation**

**None.**

**CASH/REVENUE**

**Objective**

Determine whether Project Peacemakers recorded revenue in the Agency's financial records properly, deposited cash receipts into the Agency's bank accounts timely, and reviewed and approved bank account reconciliations as required.

**Verification**

We interviewed Project Peacemakers' management, and reviewed the Agency's financial records and November 2011 bank reconciliations.

**Results**

Project Peacemakers recorded revenue in their financial records properly, and deposited payments from Department of Public Social Services (DPSS) into the Agency's bank account timely. However, we noted eight checks, totaling \$6,740, were made payable to the Executive Director. The Executive Director stated that she frequently loaned money to help the Agency cover its operating expenses, and these checks were loan repayments. However, the Executive Director did not provide any

formal loan agreements to document the loan amounts, dates of the loans, or loan repayment plans.

### **Recommendation**

1. **Project Peacemakers' management ensure loans from the Executive Director and the loan payments are properly documented.**

### **EXPENDITURES/PROCUREMENT**

#### **Objective**

Determine whether expenditures charged to the DVSS Program were allowable under the County contract, properly documented, and accurately billed.

#### **Verification**

We interviewed Project Peacemakers' personnel, and reviewed financial records and documentation for \$10,991 in non-payroll expenditures that the Agency charged to the DVSS Program from July through December 2011.

#### **Results**

Project Peacemakers inappropriately charged \$1,099 (10%) of the \$10,991 in non-payroll expenditures reviewed to the DVSS Program. As a result, we expanded our review, and noted an additional \$12,388 in non-payroll expenditures that were inappropriately charged to the DVSS Program during July 2010 through December 2011. Specifically, the Agency:

- Inappropriately allocated \$11,978 to the DVSS Program for shared insurance and audit expenditures based on program revenue, which is an unallowable allocation method.
- Overbilled the DVSS Program \$527 for shared facility expenditures. In addition, the Agency leases the building from a related party. However, the Agency did not disclose the related-party transaction to DPSS.
- Billed DVSS \$828 for greeting cards and subscriptions that the Agency indicated were billed in error.
- Did not have documentation to support \$154 billed to the DVSS Program for supplies.

In addition, Project Peacemakers did not have a written service agreement for a contract employee. After our review, Project Peacemakers developed a written service agreement.

### **Recommendations**

#### **Project Peacemakers' management:**

2. Review and reallocate all shared non-payroll expenditures charged to the DVSS Program during the contract term, provide DPSS with supporting documentation, and repay any overbilled or unsupported amounts.
3. Ensure all related-party transactions are disclosed to DPSS.
4. Repay DPSS \$1,355 (\$527 + \$828).
5. Repay DPSS \$154, or provide DPSS with supporting documentation.
6. Ensure that all non-payroll expenditures billed to the DVSS Program are allowable, properly documented, and in compliance with the County contract.
7. Obtain and maintain service agreements for all contract employees.

### **FIXED ASSETS AND EQUIPMENT**

#### **Objective**

Determine whether Project Peacemakers' fixed assets and equipment purchased with DVSS funds were used for the Program, and were safeguarded.

#### **Verification**

We interviewed Agency personnel, and reviewed the Agency's fixed assets and equipment inventory listing. We also performed a physical inventory of four items purchased with DVSS funds in prior years to verify the items exist and were being used as required.

#### **Results**

The items purchased with DVSS funds were used for the Program, and were adequately safeguarded.

#### **Recommendation**

None.

## **PAYROLL AND PERSONNEL**

### **Objective**

Determine whether Project Peacemakers charged payroll costs to the DVSS Program appropriately, and obtained required criminal background clearances and employment eligibility for DVSS Program employees.

### **Verification**

We traced the payroll costs for five employees, totaling \$4,950, for October 2011 to the Agency's payroll records and time reports. We also interviewed staff, and reviewed personnel files for six Project Peacemakers DVSS Program staff.

### **Results**

Project Peacemakers obtained required background clearances and employment eligibility for DVSS Program staff. However, the Agency inappropriately allocated \$1,150 of the \$4,950 in payroll costs reviewed to the DVSS Program. Specifically, the Agency charged 100% of one employee's salary to the DVSS Program, even though the employee worked on County and non-County programs.

### **Recommendation**

8. **Project Peacemakers' management review and reallocate all payroll costs charged for the one employee during the contract term using an allowable allocation method, provide DPSS with supporting documentation, and repay any overbilled amounts.**

## **COST ALLOCATION PLAN**

### **Objective**

Determine whether Project Peacemakers' Cost Allocation Plan (Plan) was prepared in compliance with their County contract, and was used to allocate shared costs appropriately.

### **Verification**

We reviewed the Agency's Plan, and a sample of expenditures from Fiscal Years (FYs) 2010-11 and 2011-12.



**Results**

Project Peacemakers' Plan was not prepared in compliance with the County contract. Specifically, the Agency's Plan used unallowable allocation methods to allocate shared costs.

**Recommendation**

- 9. Project Peacemakers' management develop a Cost Allocation Plan that complies with the County contract.**

**CLOSE-OUT REVIEW**

**Objective**

Determine whether Project Peacemakers had any unspent revenue for the DVSS Program for FY 2010-11.

**Verification**

We traced the total revenues and expenditures from Project Peacemakers' FY 2010-11 close-out report to the Agency's accounting records, and to DPSS' payment records.

**Results**

Project Peacemakers' close-out report indicated that they did not have any unspent revenue for FY 2010-11. However, the Agency needs to revise their accounting records based on our recommendations above, provide DPSS with revised close-out reports for the contract term, and repay any unspent revenue.

**Recommendation**

- 10. Project Peacemakers' management revise their accounting records, provide DPSS with revised close-out reports for the contract term, and repay any unspent revenue.**

*PROJECT: PEACEMAKERS, INC.*  
*P.O. BOX 82361, LOS ANGELES, CA 90082-0361*  
Ph: (323) 291-2525, Fax: (323) 291-0140, e-mail: projpeacemakers@aol.com



November 9, 2012

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State of California

**Bernita R. Walker**  
Executive Director

TO: Wendy L. Watanabe  
Auditor-Controller

FROM: Bernita R Walker   
Executive Director

SUBJECT: RESPONSE TO THE CONTRACT COMPLIANCE REVIEW  
FISCAL YEAR 2010-11 AND 2011-2012.

In response to the referred report we submit the following to the findings recommendations:

1. **Project Peacemakers management ensure loans from the Executive Director and the loan payments are properly documented.**

PPMI management agrees to properly document all future loan and repayment activity between the Organization and the Executive Director.

**Project Peacemakers management:**

2. **Review and reallocate all shared non-payroll expenditures charged to the DVSS Program during the contract term, provide DPSS with supporting documentation, and repay any overbilled or unsupported amounts.**

PPMI agrees to review the allocation of those specific non-payroll expenditures charged to DVSS Program during the contract term and 1) provide DPSS with supporting documentation and, 2) repay any overbilled or unsupported amounts.

3. **Ensure all related party transactions are disclosed to DPSS.**

PPMI, in moving forward, agrees to disclose to DPSS, in writing, all related party transactions. PPMI will provide DPSS with a current, fully executed lease agreement for the office space.

PPMI 2011-12 AUDIT RESPONSE PG 2

**4. Repay DPSS \$1,355 (\$527 + \$828).**

PPMI allocates payroll to the various programs based on the time cards submitted by its employees. PPMI will correct the language used in the cost allocation plan to conform to the method currently used to allocate payroll. We will also be requesting of DPSS permission to incur cost of greetings cost for our clients.

**5. Repay DPSS \$154 or provide DPSS with supporting documentation.**

Recently additional receipts were found. They will be reviewed for match. If match is not found we will repay \$154.

**6. Ensure that all non-payroll expenditures billed to the DVSS Program are allowable, properly documented, and in compliance with the County contract.**

PPMI will continued to monitor our spending procedures to ensure that all non-payroll expenditures billed to the DVSS Program are allowable, properly documented, and in compliance with the County contract. The results of your audit do not show any gross negligence in the administration of the program.

**7. Obtain and maintain service agreements for all contract employees.**

PPMI has obtained and will maintain service agreements for all contract employees.

**8. Project Peacemakers management review and reallocate all payroll costs charged for the one employee during the contract term using an allowable allocation method, provide DPSS with supporting documentation, and repay any overbilled amounts.**

PPMI has conducted a time study and reallocated payroll cost charges for that specific employee to the appropriate program based on that study. PPMI will continue to allocate payroll cost for this employee to the various programs using that *time study*.

PPMI 2011-12 AUDIT RESPONSE PG 3

**9. Project Peacemakers management develop a Cost Allocation Plan that complies with the County contract.**

PPMI will review its cost allocation plan to ensure that the language used in the plan is 1) consistent with the actual methodology in use and 2) the methodology is acceptable.

**10. Project Peacemakers management revise their accounting records, provide DPSS with revised close-out reports for the contract term, and repay any unspent revenue.**

PPMI will revise the close-out reports for FY 2010-11 and FY 2011-12 to include the changes referenced above.

If necessary, PPM will submit a workout plan to repay to DPSS any amounts erroneously billed to the program.